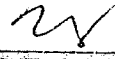


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7 IN THE SUPERIOR COURT

8 FOR THE

9 COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

10 ACTING SECRETARY OF COMMERCE,
11 FERMIN M. ATALIG in his official capacity
as the CNMI DIRECTOR OF BANKING
under CMC § 6195(a),

12 Plaintiff,

13 v.

14 BANK OF SAIPAN, INC.,

15 Defendant,

16 and

17 JLH PACIFIC TRUST, PAUL M. CALVO,
18 EDWARD M. CALVO and
THOMAS J.M. CALVO,

19 Defendants in Intervention.)

CIVIL CASE NO.: 02-0268B

BANK OF SAIPAN REPORT
AND REHABILITATION PLAN

20
21 Attached hereto is the Bank of Saipan Report and Rehabilitation Plan, a copy of which was
22 previously filed with the Court under seal in this matter on January 27, 2003.

23 Dated this 29th day of January, 2003.

24 Respectfully submitted,
25 O'CONNOR BERMAN DOTTS & BANES
26 Attorneys for Paul M. Calvo, Edward M.
Calvo and Thomas J.M. Calvo

27 by: 
28 ROBERT J. O'CONNOR

MAILED
\$ THOMPSON (CNMI)

DATE 2/4/03
TIME 3:50 p.m.

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COPY

Bank of Saipan Report

BANK OF SAIPAN REPORT
AND
REHABILITATION PLAN

Prepared by:
The Andela Consulting Group, Inc.
Thomas A. Tarter
Managing Director

Bank of Saipan Report

Table of Contents

PART I	5
BACKGROUND INFORMATION	5
A. Introduction	5
B. Overview	5
C. Executive Summary	5
D. Advantages of Bank of Saipan's Reorganization	6
E. Bank of Saipan's Problems	7
F. Solutions to Bank of Saipan's Problems	8
G. Regulatory Agreements	8
PART II	9
BUSINESS PLAN	10
A. Introduction	10
B. Market Conditions and Opportunities in Saipan	10
C. Market Presence and Lines of Business	10
D. Banking Services	12
1. Asset Quality of the Bank of Saipan	12
2. Expanding Banking Services	14
E. Deposit Services	14
F. Other Services	15
G. Commercial/Real Estate Loans	15
H. Consumer Loans	15
I. Community Reinvestment	15
J. Mission Statement	16
K. Vision Statement	16
L. Fair Lending Statement	17
M. Objectives	17
1. Corporate Purpose - Overall Mandate	17
2. Type of Bank	17
3. Financial	17
4. Marketing and Sales	18
5. Lending	18
6. Investments	19
7. Administration	19
8. Human Resources	19
9. Corporate Social Responsibility	19
N. Strategies	20
1. Corporate Purpose - Overall Mandate	20
2. Type of Bank	20
3. Financial	20
4. Marketing and Sales	21
5. Lending	21
6. Loan Pricing	22
7. Investments	23
8. Administration	23
9. Human Resources	24
10. Corporate Social Responsibility	24
11. Asset/Liability Management	25
12. Marketing Strategies	25
O. Business Focus	26
1. Small to Middle Market Commercial	27

Bank of Saipan Report

2. Professional:	28
3. Consumer Loans:	28
4. Construction Loans:	28
5. Commercial Real Estate:	29
6. Small Business Administration Guaranteed Loans:	29
P. Product and Service Delivery Capabilities	29
Q. Deposit Products and Attendant Services	30
R. Lending Activities	30
S. Present Situation	32
T. Board of Directors, Management and Advisory Committee	32
U. Products	33
1. Deposit Services	33
2. Other Services	33
3. Commercial/Real Estate Loans	34
4. Consumer Loans	34
V. Pricing and Profitability	34
W. Customers	35
X. Distribution	35
Y. Financial Status	35
Z. Capital Plan	35
AA. Management Team	36
1. Employees	37
2. Counsel	37
3. Independent Accountants	37
4. Independent Outside Loan Consultant	37
BB. Financial Overview	37
CC. Reorganized Bank's Capitalization	39
DD. Possible Capital Participation - Depositors	40
1. Eligibility and Exercise:	40
2. Issuance of Preferred Shares:	41
3. Dividends:	41
4. Conversion of Preferred Shares:	41
EE. Earnings Projections	43
FF. Investment Securities	43
GG. Deposits	43
HH. Asset/Liability Management	44
II. Bank License	45
PART III	45
MARKETING PLAN	45
A. Sales Strategy	46
B. Positioning	46
C. Pricing	47
D. Marketing Responsibilities	47
E. Distribution Channels	47
F. Direct Sales	48
G. Retail Sales	48
H. Direct Response Mail	48
I. Customer Service	48
J. Promotion And Advertising	49
K. Promotional Objectives	49
L. Referral Requests	49
M. Joint Customer/Prospect Sales	50
N. Strategic Alliances/Cross Marketing	50
O. Seminars/Tech Groups	50

Bank of Saipan Report

P.	Corporate Capabilities Brochure.....	50
Q.	Sales Support Collateral Materials.....	50
R.	Advertising Media Objectives	50
S.	Media Strategy.....	50
T.	Advertising Campaign	51
U.	Public Relations	51
V.	Publicity Strategy.....	51
PART IV.	52
FINANCIAL PROJECTIONS AND BUDGETS	52
PART V.	52
RESUMES	52

PART I

BACKGROUND INFORMATIONA. Introduction

This report, which includes a Business Plan, Marketing Plan and financial data (collectively, the "Report"), has been prepared at the request of the Directors of the **Bank of Saipan** (sometimes, the "Bank") in conjunction with various interested parties, including the Receiver, Antonio Muna and his counsel and certain depositors. It is the common objective of all such parties to rehabilitate the **Bank of Saipan**. The Report is intended to provide the broad plan and outline for the rehabilitation of the **Bank of Saipan**. The statements, estimates and projections in the Report are based upon certain assumptions of The Andela Consulting Group, Inc. (Resume of Thomas A. Tarter attached) and are not to be deemed in any way as a representation, guaranty or warranty of any kind.

B. Overview

The purpose of this Report is to present a proposed plan of rehabilitation for the **Bank of Saipan**. The Bank is currently in Receivership. Parties related to the Bank including the Receiver, the Bank's Directors, and Commonwealth of the Northern Mariana Islands (sometimes, the "CNMI") governmental officials are currently engaged in litigation. It appears as if considerable resources have been devoted to litigation rather than developing a cohesive approach to minimizing the potential losses that might result from contested liquidation versus a cooperative reorganization.

The essential elements and financial resources required to achieve a successful rehabilitation of the **Bank of Saipan** exist. However, a successful rehabilitation can only occur if the respective parties develop a strategic alliance and cooperate to rehabilitate and reorganize the **Bank of Saipan** from a public confidence perspective as well as through a capital restructuring.

The alternative to rehabilitation is liquidation. It has been my experience that liquidations have not mitigated losses but rather have magnified losses. One only has to look at the FDIC loan portfolio sales and discounted asset sales. Huge losses were incurred by the regulatory agencies and huge profits were often reaped by the purchasers. In addition, the administrative, legal and professional fees were typically enormous.

In preparing this Plan, I have reviewed the reports prepared by the prior Receiver's experts, Griffin+Co and Columbia Financial Advisors. I have also met with the Shareholder Group, depositor representatives, CPA Roger Slater, the Receiver, Antonio Muna, and others. It appears clear to me that a slow liquidation would not be the best option. If, however, that option is adopted I am of the opinion that small private depositors should have a preference over large public depositors.

The concepts presented in the Report are fundamental. The Report is not intended to be a comprehensive document but rather is intended to present a conceptual outline which may serve as a framework for the reorganization and rehabilitation of the **Bank of Saipan**. Partisanship should be put aside and a "what's best" for the **Bank of Saipan's** depositors, the CNMI government and the

Bank of Saipan Report

CNMI's people should be adopted. Personal animosity, historic conflicts and personal financial interests should be put aside for the good of the **Bank of Saipan's** customers, depositors and for public policy purposes.

C. Executive Summary

The **Bank of Saipan** was founded in 1979. It is a Commonwealth of the Northern Mariana Islands (sometimes, the "CNMI") chartered bank headquartered in Saipan with assets of approximately \$35 - 40 million. The **Bank of Saipan** has four banking offices located on Saipan, Rota and Tinian. Approximately 90% of the Bank's stock is owned by three investor groups: the Calvo Family, JLH Pacific Trust and the Tan family.

The **Bank of Saipan** is presently operating under a Receivership following the discovery of a massive fraud that was perpetrated by individuals who were allegedly in the process of acquiring the Bank and who were aided and abetted by certain members of the Bank's senior management who concealed the illegal activities from the Bank's Directors. The illicit activity concealed from the Board of Directors was undertaken in violation of explicit Bank policies and procedures.

Upon discovery of the aforementioned fraud, the Bank's Directors immediately reported the illegal and unauthorized actions to law enforcement and government agencies. The Board of Directors took immediate action to mitigate the harm caused by the wrongdoers. In the Receivership, deposit withdrawals have been temporarily restricted and the Bank in effect is not currently open for normal banking activities.

Prior to its closure, the **Bank of Saipan** had a record of profitable operations and the Bank provided relationship banking services to its customers, primarily CNMI autonomous agencies, consumers, businesses and professionals. The Bank's strength has been its ability to build and maintain banking relationships with consumers, businesses and CNMI governmental agencies who collectively represent in excess of approximately 40% of its deposit base.

Until recently the **Bank of Saipan** enjoyed a positive reputation for providing the CNMI with basic banking services. Historically, the Bank's growth has been attributed to transactions involving local clients, reflecting the Bank's commitment and ability to provide service to CNMI residents.

Although the **Bank of Saipan's** Directors caused the adoption of policies and procedures to address operating deficiencies, those policies and procedures were fraudulently violated by Bank management. If the Bank is reorganized as recommended in this Report, new, well-qualified, banking professionals need to be recruited to serve as CEO, Chief Lending Officer and CFO.

The **Bank of Saipan** was placed into Receivership on April 30, 2002 following the Governor's public statement to a local newspaper assailing the uncertain financial condition of the Bank based upon the aforementioned unlawful activity which was concealed from the Board.

The **Bank of Saipan** does not currently have sufficient liquidity to fund the withdrawal of all deposit requests, and it has a deficit capital position because of the aforementioned fraud and other

factors.

Due to the aforementioned problems, the **Bank of Saipan** currently is not an attractive acquisition candidate. No other banks have expressed an interest in purchasing its branch locations and/or its deposits. The original Receiver appeared to pursue a slow liquidation plan rather than the rehabilitation of the Bank. However, the current appointed Receiver, Antonio Muna, has advised the Shareholder Group and others that he believes that the **Bank of Saipan** can be successfully reorganized.

The **Bank of Saipan's** Directors have worked to develop a Plan of Rehabilitation with the cooperation of the current Receiver, depositors, CNMI banking department, CNMI government and the Court.

A number of the **Bank of Saipan** depositors ("Save Our Savings" or "SOS") have expressed strong interest in participating in the reorganization of the Bank. They have reported that they believe that it is a vital part of the CNMI's economy and that they would even be willing to consider converting a portion of their deposits to capital and accept withdrawal limitations on their current **Bank of Saipan** deposits.

The **Bank of Saipan** is a good reorganization candidate. However, the cooperation and support of the CNMI Government and banking authorities, the Bank's major Shareholders, its Directors and its largest customers and depositors are necessary.

D. Advantages of Bank of Saipan's Reorganization

Outlined below are a number of the anticipated advantages that could result from the successful reorganization of the **Bank of Saipan**:

- Preserve an existing banking franchise that has a historic record of recycling CNMI deposits in the form of loans made to CNMI residents and businesses;
- Avoid losses for the **Bank of Saipan** individual and business depositors, CNMI autonomous agencies and shareholders;
- Shareholders, depositors and the CNMI benefit from selective loan portfolio liquidation gains;
- Maintain and increase Bank employment;
- Platform for further expansion of existing financial services and banking activities for existing customers;
- The recession in CNMI may be abating, setting the stage for economic recovery;
- The Bank is strategically located;
- Preserve a financial institution that is a vital component of the CNMI economy;
- The failure of the Bank would have severe economic effects on the CNMI's economy, and for depositors and employees;
- Reinforce public confidence; and

Bank of Saipan Report

- Set the stage for the conversion of the Bank from an uninsured bank to one that is eventually FDIC insured.

E. Bank of Saipan's Problems

The Bank's problems have been caused in part by the following factors:

- Adverse and stagnant economic conditions in the region;
- Original Receiver's actions adversely affected loan collections and generated negative images regarding the possibility of rehabilitation and reorganization of the **Bank of Saipan**;
- Loan and bank fraud;
- Failure of Bank management to report deviations from policy;
- Failure of Bank management to report unauthorized loans and transactions;
- Many loans greater than 90 days past due according to their terms have resulted from statements made by and conduct of the original Receiver;
- The Bank's loan loss reserve is currently understated; and
- The Bank currently has a deficit capital basis after taking into consideration adjustments to increase the Bank's loan loss reserves.

F. Solutions to Bank of Saipan's Problems

Outlined below are a series of proposed solutions to the Bank's problems:

- Rehabilitate the Bank under the supervision of the current Receiver;
- Quickly evaluate the Bank's loan portfolio, mark the portfolio to market and charge-off under secured and non performing loans;
- Establish repayment programs with existing qualified borrowers whose payments ceased subsequent to the establishment of the Receivership which would include waiving late fees, default interest and defer the payments that were not made due to the "Receivership Chaos" until the maturity of those loans;
- Liquidate any investments that are not U.S. treasury grade;
- Negotiate a guaranty loan swap or in lieu of payment demand a borrower deficit supplemental payment program with the CDA;
- Include additional independent and qualified members on the Board of Directors;
- Provide existing depositors with financial incentives that would be tied to the retention of their deposits for a specific period of time;
- Negotiate with the CNMI autonomous agencies on the terms and conditions under which their deposits shall be held in the Bank during the rehabilitation period and beyond;
- Negotiate the conversion of qualified and willing individual and business depositor related deposit accounts into capital or capital notes
- Capital infusion from the current major shareholders;

Bank of Saipan Report

- Collections from certain loans could be contributed to a capital note sinking fund and could also be used to pay dividends on the depositor related stock;
- Increase Bank's liquidity by negotiating early repayment of select large loans;
- Upon re-opening, restrict deposit withdrawals: 10% per month for 10 months for DDA; 5% per month for 20 months for savings and TCDs;
- Attempt to settle Bank bond and insurance claims as quickly as possible;
- Retain performing loans for income purposes;
- Retain well-qualified, competent management, due diligence should, if possible involve consultation with FDIC, OCC and OTS officials as may be appropriate;
- Revitalize management and make changes as appropriate;
- New management must ensure enforcement of conformity to Bank policies and procedures;
- Close unnecessary premises;
- Development and implementation of strategic and business plans to expand the Bank's customer base and services;
- Development and implementation of well-defined public relations and marketing plans;
- Aggressively seek to recover fraudulent loans and pursue claims against wrongdoers.

G. Regulatory Agreements

Regulatory agreements are very common. During the 1980's and 1990's, approximately 75% of California's banks operated under some form of regulatory agreement that included significant regulatory oversight. The existence of those agreements benefited the economy, depositors, bank customers, government agencies and shareholders. Such a regulatory agreement with the CNMI Department of Banking, could benefit the **Bank of Saipan**, its depositors, customers, and the CNMI economy.

The **Bank of Saipan's** Board of Directors should be guided by a formal regulatory agreement such as documented in a Memorandum of Understanding ("MOU"). The most significant provisions of the MOU should include the following:

- Hire and retain qualified management;
- Reduce classified assets to specified levels by certain deadlines;
- Maintain adequate reserves for loan losses;
- Establish firm loans to one customer rules;
- Establish very low loan limits and credit granting authorities to Bank officers;
- Continue regular Board and Loan Committee meetings;
- Give the Receiver veto power over loans approved by the Bank's loan committee and Board of Directors;
- Obtain adequate and current documentation for all loans in the Bank's loan portfolio;

Bank of Saipan Report

- Periodically report compliance matters to CNMI banking authorities; and
- Develop a plan for application for FDIC insurance on or before a specified date.

PART II

BUSINESS PLAN

A. Introduction

This Business Plan (sometimes the “Plan”) of the **Bank of Saipan** has been developed with the knowledge and participation of the Bank of Saipan’s current directors and majority shareholders (sometimes the “Shareholder Group”), the Receiver and certain depositors, government and private, and after careful analysis of the economic and competitive factors in the CNMI area (the “Bank Service Area”).

The Shareholder Group's awareness of the needs and marketing strategy of the Bank Service Area comes from their long-term individual involvement in the banking/financial service industry and business community. The Shareholder Group fully understands the banking opportunities and banking market within the Bank Service Area. Full comprehension of these factors has been critical to the design of the Plan and the Group's ongoing sensitivity and responsiveness to these factors that will facilitate the successful implementation of the Plan and maximize its effectiveness.

The rehabilitated **Bank of Saipan** intends to engage in commercial and retail banking with an emphasis on developing a diversified consumer, business and professional clientele. The business plan will focus on personalized service combined with a comprehensive range of banking services for businesses, professional concerns and individuals residing in or doing business in the Bank Service Area.

B. Market Conditions and Opportunities in Saipan

The location and needs of the **Bank of Saipan**’s customer base will serve as templates for developing core deposits. In addition, the Bank intends to offer unique services for reaching its customer base and providing a competitive convenience over that of the larger banks and as offered by the other small independent banks.

Interpretation and analysis of the economic and competitive factors together with an understanding of the financial service requirements of the marketplace leads to the following observations and assumptions which are the foundation of the **Bank of Saipan**’s Plan.

- A commercial marketplace embodying small to medium-sized business and professional concerns exists in the Bank Service Area.
- Analysis of economic factors validates the existence of a consumer market base for consumer loan products and services exists in the Bank Service Area.

Bank of Saipan Report

- Economic expectations point to marginal to slow growth in the Bank Service Area, particularly for service businesses, professionals and light manufacturing.
- Consumers, local business and professional Bank Service Area customers want a CNMI-based financial institution that will meet their banking needs and which will make loans by recycling their deposits in the form of loans in the Bank Service Area instead of directing deposits to other geographical areas.
- Local business, professional and personal banking customers want the convenience of familiar, knowledgeable and accessible banking service.
- There exists within the business community an increasing trend to demand "one stop" provision of financial services. Hence, a banking institution's ability to deliver integrated financial services is key. The businessperson wants services for business and personal needs to be met conveniently.
- The small to medium-sized business is and will, for the foreseeable future, still be primarily dependent upon the commercial banking industry for the provision of credit services. A large segment of the business community is not well served by the major banking institutions or larger institutions in the Bank Service Area, especially as it relates to tailored lending services. The Shareholder Group has knowledge of the business market and experience in providing quality banking services.
- The Bank Service Area business community has a critical need for constructive guidance from bankers who are familiar with their issues and needs.
- In the **Bank of Saipan's** targeted marketplace, the preference for service quality still clearly prevails over service pricing. This factor underscores the paramount need for a successful local financial institution to employ knowledgeable management and support personnel to deliver that needed service.
- Those banking offices of CNMI-wide institutions which emphasize the delivery of financial services to the small- to medium-sized business and professional marketplace, while possessing the financial resources to meet the credit requirements of the target marketplace, suffer from more structured and less responsive authority and organizational hierarchies. Their frequent movement of key banking personnel (both within the organization as well as to other banking and financial services entities) and their changing commitment levels, deny the CNMI community the consistent reliable response that is needed.
- The **Bank of Saipan's** competitors have not been fully responsive to the needs of CNMI residents and businesses.

Based on the above and in the opinion of the Shareholder Group as well as others such as depositors like SOS and the Receiver, Antonio Muna, there continues to be a favorable opportunity for a reorganized independent commercial bank with local management. Such a bank can be successful in attracting small- to medium-size businesses, professionals and individuals as customers who wish to conduct business with a locally owned and managed institution that demonstrates an active interest in their business and personal financial and banking affairs. The new **Bank of Saipan** will seek to take advantage of this opportunity by emphasizing in its marketing plan the Bank's local management/ownership and their strong ties and active commitment to the community.

C. Market Presence and Lines of Business

Prior to the Receivership, the Bank maintained several banking offices in the CNMI. These offices are strategically located to serve the Bank's client base. Bank offices are located in Saipan, Rota and Tinian. The Bank maintained approximately 40 employees prior to the Receivership.

As of November 30, 2002 the Bank's deposits totaled approximately \$37.3 million and were comprised of DDA \$4.3 million, Savings \$7.7 million and TCD \$25.3 million. The Government has deposits of approximately \$15.8 million. The breakdown of Government related deposits is as follows (in millions):

CNMI	\$.3
MPLA	\$ 8.2
NMIRF	\$ 5.6
CDA	\$ 1.2
MVA	\$.5
Total	<u>\$15.8</u>

As of November 30, 2002 the Bank's loans totaled approximately \$33 million of which \$17 million were 90 or more days past due. However, upon review, it appears that many of these loans should not be considered problem loans because the delinquency arose from confusion regarding payment that can be attributed to actions of the original Receiver, because of CDA guaranties and other collateral for the loans and other mitigating factors.

Prior to the Receivership and the effective cessation of normal banking operations, the Bank offered a variety of banking services including business, consumer commercial and real estate secured loans. These services can be successfully marketed by professional bankers as outlined in the Report by conservative, professional and progressive new management.

In time, the reorganized **Bank of Saipan** is anticipated to attract solid new loan and deposit customers predicated upon pride of local ownership and reinforced by a strong governmental presence and influence. The objective is clearly to re-instill public confidence, which is critical to the success of any banking enterprise.

D. Banking Services

While the Bank has engaged in a variety of lending activities, including commercial, consumer and real estate mortgage and construction loans, its ability to maintain its market has recently been hampered by a variety of factors, including but not limited to the fraud, the Bank's closure, the Receivership, unfavorable media articles, contentious litigation as well as the erosion of the regional economy. It appears that from the outset the original Receiver's team focused more on liquidation rather than on customer relations and establishing the foundation for the reorganization of the Bank. If it is determined that reorganization is the best option, an advertising and public relations

Bank of Saipan Report

campaign regarding the reorganized Bank and its new programs should be formulated and commenced consistent with the Marketing Plan that has been prepared as part of this Business Plan.

The prolonged recession in CNMI has impacted the ability of certain borrowers of the Bank to perform their obligations. We have been advised that some economists have suggested that the CNMI recession will continue for the near future and the recovery will be a slow process. The impact of the recession and losses caused by borrowers not performing on their obligations is reason for the Bank to increase its allowance for loan losses. It is also a reason for the development of a specialized workout program for troubled debtors that may enable them to repay obligations based on their capabilities. This may include a combination of reduced interest rates and extended terms. The result may be a stimulus to the CNMI economy and prevent further economic dislocations. The Receiver has already implemented this specialized workout program with excellent and encouraging results.

Commercial loans made by the Bank include loans to middle market businesses and professionals located primarily in the Bank's service areas. The Bank provides secured and unsecured loans and lines of credit for the operation and expansion needs of businesses.

Real estate loans include short-term mortgage and construction loans. Real estate mortgage loans include residential loans to individuals and loans on commercial and industrial properties to middle market businesses and professionals. The portfolio is comprised principally of short-term loans with floating rates of interest with maturity of not greater than five years. Construction loans are made for single-family detached and other residential and commercial properties. The CNMI has real property laws and regulations that affect the marketability of CNMI real property secured loans in the secondary market and the ability to sell OREO ("other real estate owned").

Consumer loans are primarily automobile loans, home improvement loans and unsecured loans for personal use. The majority of consumer loans have a fixed interest rate during their term.

Prior to its closure the **Bank of Saipan** provided its customers with traditional bank deposit products that included checking, savings and time certificate of deposit accounts.

Additionally, the Bank honors merchant drafts for both MasterCard and Visa although it does not directly issue its own consumer MasterCard or Visa card.

The Bank holds no patents, registered trademarks, franchises, concessions or licenses (other than those obtained from bank regulatory agencies).

The reorganized **Bank of Saipan** will continue to offer a wide range of commercial and personal banking services, which will be the foundation of the Bank's operation. The structure and charges of these services will be designed to attract the target market clientele of the **Bank of Saipan** in its Bank Service Area.

1. Asset Quality of the Bank of Saipan

- The Bank currently has a significant high level of non-performing and "high risk" loans;
- Overall Loan portfolio quality is presently fair, but it is improving under the current Receiver's management;
- There are no junk bonds in the Bank's loan or investment securities portfolios;
- The Bank's loan portfolio is not highly interest rate sensitive;
- Major loan problems have been identified. As mentioned above, corrective action is being taken and reserves are being established as required and charge offs will be made as appropriate;

2. Expanding Banking Services

In addition to the need to sustain and expand the banking services and products that it historically provided, there are areas of opportunity where the Bank has not been particularly active. The reorganized Bank will be repositioned and new business strategies developed in order to take advantage of these opportunities and thereby increase its profitability. This can be accomplished in part by establishing aggressive marketing programs in the following highly profitable markets:

- Personal and business banking
- SBA lending
- Securitization or sale of consumer automobile loans

A broadened client base as well as the expansion of new products and services will accomplish several goals, including:

- Substantially increase profits and fee income
- Sustain earnings during times of economic downturns
- Expand the infrastructure of the Bank to better utilize the Bank's existing powers, customer base and attract new clients.

A review of selected banks indicated that those which performed above average, in many instances, enjoyed a sizable level of non-interest income from nontraditional lending efforts by leveraging off their basic infrastructure and recycling large blocks of previously funded assets. Many banks that otherwise might have had earnings pressure have been able to adjust and be responsive to market opportunities through the securitization and sale of loans, mortgage banking activities and the creation of niche services such as SBA lending.

Bank of Saipan Report

E. Deposit Services

Personal and Business Checking Accounts, Negotiable Order of Withdrawal (NOW), Money Market Accounts, Savings Accounts Certificates of Deposit, IRA and SEP IRA Accounts.

F. Other Services

In addition, to the full range of traditional lending activities including, commercial loans, consumer installment loans and conservative real estate loans, the Bank, in accordance with approved policies and procedures that focus on credit quality, diversity and acceptable loan portfolio and loans-to-one borrower concentrations, will also offer the following banking services:

- Wire Transfers/Funds Transfers Business
- Payroll Services Direct Deposit Payroll
- Night Depository
- Check Guarantee/ATM Cards Safe Deposit Boxes

Also, the Bank intends to participate in inter-bank credit arrangements in order to take part in and accommodate the customer's financing needs in loans that would otherwise be over the Bank's legal lending limit.

G. Commercial/Real Estate Loans

Small to medium-sized business and commercial loans will be available to creditworthy proprietorships, partnerships, corporations, and other business entities. These loans may include, but not be limited to, the following:

- Accounts Receivable and Inventory
- Commercial Real Estate Purchase and Refinancing
- Equipment Financing/Leasing
- Income Property Financing
- Letters of Credit – Stand by and Trade
- Renovation or Expansion
- Secured/Unsecured Revolving Lines of Credit
- SBA Loans

H. Consumer Loans

With respect to consumer lending the Bank will offer industry accepted types of credit including, but not limited to:

- Automobile Financing
- Deposit Secured Loans
- Home Equity/Improvement Loans

Bank of Saipan Report

Overdraft Protection Lines
Personal Loans
Residential Construction
Residential Mortgages (some or all of which may be offered for sale)
Stock Secured Loans

I. Community Reinvestment

Involvement in the community will be a high priority of the Bank. The Bank will encourage its employees and Board members to participate in community services and in activities which will allow the Bank to identify and ascertain the credit needs of the community. A number of the Bank's employees and Board members have been active in or served on the Boards of various community agencies.

The Bank intends to offer a complete range of services to meet the financial and banking needs of the community it serves. The Bank will make its credit services available to qualified borrowers on a non-discriminatory, sound and profitable basis, subject to the availability of funds, regulatory constraints, and changes in general economic conditions.

In addition, the Bank intends to work closely with and/or advertise with the Small Business Administration ("SBA"), Small Business Investment Corporations ("SBIC"), the local area Chamber of Commerce, CNMI government, Redevelopment Agency in order to promote the availability of credit for small and minority owned businesses.

J. Mission Statement

The Bank of Saipan is committed to being the recognized leader, with both our customers and internal partners, in providing value-added financial services to the Commonwealth of the Northern Mariana Islands consumers, professionals, small businesses, and autonomous agencies.

We Will:

Be the premier provider of services and products in key identified markets in the Commonwealth of the Northern Mariana Islands.

Exceed targeted customer expectations by building and fulfilling long term relationships through excellence in customer service.

Deliver cost effective and convenient access to financial services, while maximizing the effective use of technology.

Exceed stakeholder expectations and our community responsibilities.

Enable our employees to contribute, grow and be rewarded.

K. Vision Statement

The Bank of Saipan will realize its mission by serving the needs of consumers, small business and professional markets throughout the Commonwealth of the Northern Mariana Islands.

We envision a dynamic environment characterized by partnership and a shared business culture and philosophy. We will utilize timely, clear and consistent "multi-way" communication to foster a climate in which we take mutual pride in our work and our results, and create an attitude of mutual respect and trust with our customers, business partners and fellow employees.

In doing so, we will build lifelong customer relationships for the collective benefit of our customers, community, employees and shareholders.

L. Fair Lending Statement

The Bank of Saipan is fully committed to the principle that all credit decisions should be made without regard to race, color, national origin, religion, sex, age, marital status, sexual orientation, disability, or any other basis prohibited by law. We will fulfill this commitment while maintaining prudent credit discipline and achieving an acceptable return for our shareholders.

We recognize that affirmative steps must be taken to ensure that this principle is applied consistently and continuously throughout all aspects of our credit operations, including product design, marketing and advertising, underwriting, training, compensation, and performance evaluation. Management has established procedures designed to ensure that our operations reflect our commitment to fair lending and that employees are fully informed of our commitment.

We will monitor our operations and achievements on a regular basis to ensure that the procedures are followed and that our objectives are met. We will continue to make changes in our operations as we identify ways to more effectively meet our commitment to fair lending.

M. Objectives

After careful study, the Bank of Saipan's Board of Directors and Advisory Team have established the following objectives, which are the basis of the Bank's Plan:

1. Corporate Purpose - Overall Mandate

To create a superior, CNMI-oriented bank through the selective creation and management of earning assets and fee-based financial services.

2. Type of Bank

- a. Operate as an adequately capitalized and diversified full-service bank, targeting the specific financial needs of consumers, the community, the

Bank of Saipan Report

small to medium-size business market, professionals and owners of small to medium-size businesses.

- b. Manage a professional, innovative and sound bank providing the finest of quality banking services.
- c. Be creative in identifying and satisfying the **Bank of Saipan's** community credit needs.
- d. Provide a workplace that provides a rewarding environment for employees.
- e. Achieve recognition as one of Saipan's leading community consumer and business banks.

3. **Financial**

- a. Mindfully allocate capital to select assets in order to generate returns on equity that create value for shareholders and that have superior economic reward as measured by alternative investments.
- b. Establish loan origination policies and an asset/liability management system that will allow management to make sound decisions on the selection of earnings assets.
- c. Deliver quality products and services to its marketplace that will generate meaningful non-interest income.
- d. Strictly control non-interest expenses in order to generate competitive pricing advantages and generate superior value for shareholders.
- e. Identify and implement strategies whereby the **Bank of Saipan** can establish sustainable competitive advantage in order to create and enhance shareholder value.

4. **Marketing and Sales**

- a. Deliver financial products and services primarily to manufacturing, wholesaling, professional, commercial trades and service industry business accounts throughout Saipan.
- b. Establish quality relationships with the principals of the business accounts to satisfy their broad business and personal financial needs.
- c. Supplement core products with specialty products and services.

5. Lending

- a. Assure strong loan portfolio quality and minimal credit loss performance.
- b. Maintain a credit portfolio mix with prudent concentrations of risk and desirable allocations of capital.
- c. Deliver financing products that reflect market opportunities and meet the credit needs of the communities in which the **Bank of Saipan** operates along with rational pricing strategies.
- d. Establish an approval process that responds responsibly to borrower needs.

6. Investments

- a. Maximize portfolio yield, while achieving sound quality and asset/liability management strategies.
- b. Maintain an investment portfolio mix with prudent concentrations of risk and desirable allocations of capital.

7. Administration

- a. Realize the Bank's Mission Statement through a high level of planning, accountability and performance.
- b. Professionally manage the Bank in order to create shareholder value in a safe and sound manner.
- c. Establish training and continuing education programs for Bank officers and employees.
- d. Develop product sales and cross training programs for all Bank officers and employees.

8. Human Resources

- a. Maintain a workplace environment where everyone is supportive of the **Bank of Saipan's** objectives.
- b. Create psychological and economic value for employees.
- c. Develop a strategically focused and adaptive organization in order to achieve the **Bank of Saipan's** objectives.

Bank of Saipan Report

- d. Provide equal opportunity, successfully matching people with jobs based upon skills without regard to race, color, religion, sex, age or national origin, marital status, sexual orientation, disability, or any other basis prohibited by law.
- e. Establish employee compensation and incentive programs related to performance and profitability.

9. Corporate Social Responsibility

- a. Direct the **Bank of Saipan's** primary activities toward constructive purposes that will strengthen the free enterprise system.
- b. Advance the economic development and overall well-being of the communities in which the **Bank of Saipan** does business.

N. Strategies

The objectives of the **Bank of Saipan** can only be achieved if the right strategies are selected and successfully implemented. Strategies by their very nature are intended to be employed for an extended period of time, three years or more; while tactical action programs are shorter lived, often averaging one to two years. Nevertheless, strategies may be changed as frequently as necessary to reflect new factors that were unanticipated at the time the Plan was prepared strategies will be renewed by the Bank's board and senior management annually.

The following are strategies that have been agreed upon and are grouped in the same manner as the objectives to be attained.

1. Corporate Purpose - Overall Mandate

- a. Achieve superior performance by maximizing customer satisfaction and carefully monitoring asset quality and customer service.
- b. Ensure that the **Bank of Saipan**, its management and employees are focused and committed to the realization of the Mission and Vision statements of the Bank.

2. Type of Bank

- a. Achieve a broad business and consumer banking base with deposit and loan diversification.
- b. Deliver broad fee-based products and services.